

J.P.Morgan

E-COMMERCE TRENDS TO WATCH

Simplifying payments for your business



Lets make it **easy**

Payments do not have to be complex. At J.P. Morgan, we understand how to keep it simple, helping you to tap into global systems with a personal, customized approach. You have the security of our fortress balance, but the agility of the best fintech, and tailored insights that can help you grow and protect your business.

Key considerations for merchants

Fraud

According to the LexisNexis¹, the cost of fraud for the US financial services and lending companies has increased up to almost 10% during the pandemic years - every USD 1 fraud loss costs companies USD 3.60. Stay secure and combat card testing attacks: card testing in particular has been a major issue for many merchants, and even when transactions are rightfully declined, the merchant can still incur substantial costs in fees and resources.

Reducing costs

Having established the fundamentals of e-commerce and omnichannel, the next step is to optimize payments in digital channels, approving the most transactions for the least cost. You can earn more using a proven framework built on facts. Businesses using J.P. Morgan Merchant Services benefit from finely tuned authorization algorithms to identify fraud triggers and even actions that might result in chargebacks.

Doing it your way

Explore customized payments solutions for subscription and recurring revenue players. Through these deep, recurring relationships, data can be fed back into product and marketing, personalizing the consumer experience with tailored offerings. This strategy can be applied whether starting out, or to optimize at the more mature level.

Accessible integration

Do you need to get payments acceptance up and running rapidly and securely? Independent software vendors (ISVs) have made it easier than ever for merchants to set up and run their business efficiently. These ISVs provide the specialized software that businesses run on, and often include integrated or embedded payments.

Customer focus

In any transaction, the payment is the moment of truth. Reducing the frictions around this 'moment' is key for merchants, but a relentless focus on customer-friendly, seamless payments are key to closing the sales loop.



"Everything is about the consumer experience. It's the most important interaction you have with your customer. J.P. Morgan gets that. We understand, and we are going to be with you every step of the way as you work with your consumers."

Teresa Walker
Head of Sales, Merchant Services,
Payments, J.P. Morgan

Stay secure and combat card testing attacks

Fraudulent attacks are growing in sophistication and frequency. Card testing in particular has been a major issue for many merchants. Fraudsters that engage in card testing acquire immense batches of credentials online and then test these cards, typically by making small value purchases to determine which they can use. When they find a good card, they go on a spending spree. Card testing is especially prevalent at holiday season, when many merchants suspend IT system updates, to prevent any glitches during a period of intense demand.

Even when transactions are rightfully declined, the merchant can still incur substantial costs in fees and resources. In addition, more categories of businesses now need to manage fraud. Many merchants had previously approached e-commerce as a backup or supplementary channel, but now it's their primary one. Restaurants, for example, have moved to a card-not-present (CNP) environment, and even after the pandemic, they may continue to support CNP transactions through purchasing options like QR codes.

Considering the immense potential for fraud today, there are a few ways to address the issue. One approach taken in Europe is to tackle fraud through regulations, such as the Second Payment Services Directive, or PSD2, a robust but demanding solution requiring authentication that often adds an additional point of friction in the checkout process.

The trade-off of this approach is that merchants may experience potentially higher numbers of abandoned transactions in return for greater security. The U.S., meanwhile, continues under the existing framework, tolerating somewhat higher fraud rates for an improved consumer experience and higher conversion rates.



How J.P. Morgan can make a difference

Discover how J.P. Morgan Safetech fraud and card testing management can help. This enhanced solution enables a multi-layer defense that immediately recognizes signs of fraudulent activity, and delivers accurate e-commerce fraud protection to help businesses improve bottom-line profitability.

Checking signals that indicate automated attacks (i.e. customers with new email addresses and signs of bots)

Protecting points in the customer journey with access to the payment system (i.e. web, app, phone, or other)

Measuring velocities and linkage across multiple components of a purchase (i.e. device, IP, payment, address and phone)

Identifying anomalies and inconsistencies in linked transactions. Providing limited feedback to the card tester to make it harder for them to improve their techniques

Recognizing automatically mass generated email addresses



Optimize authorizations and **reduce costs**

Over the past year, many merchants learned how to pivot quickly to e-commerce and omnichannel. Having established the fundamentals, the next step for these merchants is to optimize payments in digital channels, to approve the most transactions for the least cost. There are numerous ways that a payment can go wrong. Perhaps the customer hasn't updated their billing address, or there's a typo in the checkout form.

Even something as unexpected as the time of day can affect whether an issuing bank declines or approves an authorization request. But merchants don't have to stand by and watch otherwise good transactions be declined - there are several ways to improve authorization rates for the least cost.

Data scientists at J.P. Morgan help merchants [optimize payments](#) by deploying six levers to increase authorization rates and three levers to reduce costs.

- One important lever is **wallet clean-up**. Many merchants have a large number of cards on file that have expired or that contain outdated customer data.
- By proactively encouraging consumers to **update their credentials**, or by using an automated tool such as [Account Updater](#), businesses can ensure that fewer transactions are declined due to old cards being on file.
- Another important lever is the **data** that's submitted to the issuing bank. Issuers often have slightly different expectations about data elements, and more transactions can be approved by ensuring that the submitted data meets those expectations.
- Other key levers around authorization rates include **transaction timing**, **transaction routing**, **retry strategy**, and PSD2 considerations. Critical levers to reduce costs include interchange downgrade detection, L2/L3 data, and selection of the network for routing.



How J.P. Morgan can make a difference

Many merchants can optimize costs by working closely with their dedicated Relationship Manager, who understands your business and can work with you.

In addition to helping clients navigate their approach to payments, J.P. Morgan has a unique ability to generate unparalleled insights into the behaviors of customers. We do this by connecting Merchant Services' acquiring data (#1 U.S. wholly owned merchant acquirer based on bankcard volume in the U.S.)² with Chase issuing card data (#1 card issuer in the U.S.)².

While others try to model customer behavior to give estimates and approximations, J.P. Morgan can show [what's actually happening](#). Furthermore, as an end-to-end payment provider, J.P. Morgan can amplify the advantages of our acquiring and issuing data, with solutions to help clients capture key insights into their liquidity, working capital, and payment flows.

Explore customized payments solutions for subscription and recurring revenue players

Recurring revenue and subscription companies have been rewarded with some of the highest valuations in the market. Even where recurring revenue solutions aren't the traditional approach, companies are trying to deepen their relationships with customers. Through these deep, recurring relationships, data can be fed back into product and marketing, personalizing the consumer experience with tailored offerings.

Many companies are still working through their approach to recurring relationships, and the degree of maturity varies by industry. Subscription start-ups are just beginning to implement basic recurring revenue models, while scaling companies are experimenting with more complex charging models, including usage and multi-product billing. At the most mature level, optimizers have made the recurring relationship a centerpiece of their strategy, leveraging data from multiple sources and touchpoints.

Many businesses are realizing that they need greater flexibility in their systems to support recurring customer relationships. To meet this demand, new types of providers have been growing over the last several years. These companies often sit between ERP and CRM platforms, and help businesses measure and manage their recurring relationships. J.P. Morgan has deep integrations with each of the leading recurring billing and subscription management platforms in the market.

"Our clients want to simply increase conversion rates, maximize approved transactions, and do this at the lowest overall costs. We provide the data, insights, and expertise to help"

Jim Cho
Executive Director, Business
Development, Payments,
J.P. Morgan



Keep a relentless focus on the ‘moment of truth’: customer-friendly, seamless payments

In any transaction, the payment is the moment of truth. It's when a customer transforms intent into action. And standing between the consumer and the payment lie numerous frictions. In high-friction checkouts, consumers convert at lower rates and some may decide to just shop elsewhere for good.

While many businesses have adopted robust, forward-thinking approaches to reducing frictions, many others are just now considering how to reduce them. A few verticals are especially ripe for transformation—in health care, for instance, 87% of transactions are still paper-based, and consumers often have little insight into what they are being billed or even when the next bill will arrive.

There's no single formula for reducing these frictions. For a given business in a given vertical, the specific solutions will look very different. As a starting point, merchants should ensure that they are accepting the methods of payment their customers prefer—whether that's digital wallets or local methods of payment.

Digital wallets in particular can have an outsized impact online, where too many businesses in the U.S. and internationally still require manual entry of card information. In-store, potential benefits of mobile wallets include elimination of signatures and physical receipts, along with shorter approval times than dipped cards.

At another level of sophistication, merchants and payment providers are thinking of new ways to enable a payment. These can take the form of insurance companies placing a pay button in an emailed quote, petro companies enabling payment in the mobile phone, or a QSR that orders your favorite meal through a one-click app. Consumers will continue to benefit from merchants' ongoing focus on new ways to offer easy, seamless payments.





Conclusion

In this rapidly changing environment, it's not enough to process payments. Payments are the core of every business, and we're passionate about processing them seamlessly and reliably for clients of all sizes.

Offering industry expertise, advice and insight means merchant services can be a real business driver, too. Working with J.P. Morgan means clients have the security of our fortress-balance and being integrated into a full banking relationship that is easier and more valuable for clients.

J.P Morgan Merchant Services is about more than accepting payments

- **Connectivity** - Linking merchants to Chase and third-party systems with terminals, integration & certification.
- **Processing** - Supporting transactions through authorization and settlement.
- **Insight** - Helping clients understand their customers through reporting and analytics.
- **Security** - Protecting against breaches and fighting fraud with encryption and tokenization.

¹ <https://risk.lexisnexis.com/insights-resources/research/us-ca-true-cost-of-fraud-study>

² Nilson Report, March 2022

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